

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-11 NSAE-00 RSC-01

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PA-04 PRS-01 USIA-15 DRC-01 /154 W

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R 011403Z FEB 74

FM AMEMBASSY BERN

TO SECSTATE WASHDC 8656

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

UFYOM/AMEMBASSY ROME 666

AMEMBASSY VIENNA

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 0404

E.O. 11652: N/A

TAGS: EFIN, SZO

SUBJECT: MODIFICATION SWISS CAPITAL CONTROLS

REF: BERN 0355

1. PROMPTED BY RECENT STRENGTHENING OF DOLLAR AND SHORTAGE DOMESTIC LIQUIDITY, FEDERAL COUNCIL AND SWISS NATIONAL BANK (SNB) REMOVED ONE CONTROL JAN 31 ON CAPITAL IMPORTS WHILE TIGHTENING MEASURE AFFECTING CAPITAL EXPORTS.

2. ON ADVICE FROM SNB, FEDERAL COUNCIL APPROVED EFFECTIVE FEB 1 LIFTING OF JUNE 2/1972 BAN ON FOREIGN PURCHASE OF SWISS SECURITIES. THE FEDERAL COUNCIL RETAINS AUTHORITY TO REIMPOSE BAN ON SECURITY PURCHASES SHOULD WORLD AND/OR SWISS MONETARY CONDITIONS
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SO REQUIRE.

3. MOST IMPORTANT CONTINUING RESTRICTION ON CAPITAL INFLOW IS THAT PROHIBITING INTEREST PAYMENTS ON FOREIGN-HELD SF DEPOSITS. ALSO STILL IN EFFECT ARE RESTRICTIONS ON SWISS BORROWING ABROAD. ALTHOUGH LOOSENED, RESTRICTIONS ON FOREIGN PURCHASES OF SWISS REAL ESTATE ALSO REMAIN (AIRGRAM IN PREPARATION).

4. IN SEPARATE ACTION, SNB HAS SET MONTHLY CEILING OF SF 120 MILLION FOR ISSUE OF NEW FOREIGN SF BONDS DURING FEBRUARY AND MARCH WITH MAXIMUM PER INDIVIDUAL BOND ISSUE SF 60 MILLION. DURING PAST THREE MONTHS FOREIGN BOND ISSUES WERE LIMITED TO TWO PER MONTH WITH MAXIMUM SF 80 MILLION EACH I.E., SF 160 MILLION PER MONTH). SNB HAS ALSO RELAXED PREVIOUS REQUIREMENT IMPOSED IN NOVEMBER THAT 10 PERCENT OF PROCEEDS OF SF FOREIGN BOND ISSUES AND OTHER CAPITAL EXPORTS REQUIRING APPROVAL BE CONVERTED THROUGH SNB. INSTEAD, CONVERSIONS SHOULD HENCEFORTH BE AFFECTED PROMPTLY THROUGH MARKET.
PERCIVAL

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